DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97–1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MCGRANE TO INTERROGATORIES OF
VAL-PAK DEALERS' ASSOCIATION, INC., VAL-PAK DIRECT MARKETING
SYSTEMS, INC., AND CAROL WRIGHT PROMOTIONS, INC.
(VP-CW/USPS–ST44—23–25)

The United States Postal Service hereby provides responses of witness McGrane

to the following interrogatories of Val-Pak Dealers' Association, Inc., Val-Pak Direct

Marketing Systems, Inc., and Carol Wright Promotions, Inc.: VP-CW/USPS–ST44—
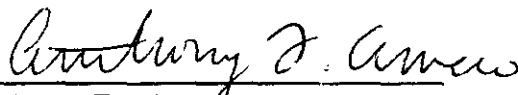
23–25, filed on November 14, 1997.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

_____
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November 21, 1997

VP-CW/USPS-ST44-23.

Please refer to your response to VP-CW/USPS-ST44-4.

a. Please answer VP-CW/USPS-ST44-4, part b., assuming the data are to be used to study the effect of weight on mail processing costs.

b. Please provide, in electronic spreadsheet format, the estimated coefficient of variation, and the estimated upper and lower 95 percent confidence limits, for each entry in the table entitled "Attachment 1 to VP-CP/USPS-ST44-4, Number of FY96 IOCS Tallies by Weight Increment and Field 9213 Response."

RESPONSE

a. There is no specific number of tallies which can be said to provide a reliable estimate for a single ounce, because the variance of the cost estimate depends not only on the number of tallies, but on the stratum in which the tallies were sampled. Also, I do not consider the standard errors at individual weight increments to be the best measure of the usefulness of the data for the estimation of the cost-weight relationship. This is because I would not use the unit cost estimates at single points, but instead fit a line through all of the points. It is the standard error of the estimated slope of this line that would be useful in deciding whether the data are meaningful for studying the cost-weight relationship. Although the standard errors at individual points will affect the standard error of the slope of the line, the standard errors at individual points do not bias the estimate of the slope.

b. See attached table. An electronic version is filed as USPS LR-H-309.

Response to VP-CW/USPS-ST44-23, subpart b.
Coefficient of Variation, FY96 IOCS Standard (A) Direct Mail Processing Tallies by Weight Increment and F9213 Response

Rate Category	F9213	Weight Increment (ounces)															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Commercial ECR	Piece	6%	11%	12%	11%	21%	30%	44%	31%	68%	55%	82%	102%	112%	96%	67%	76%
	Item	5%	7%	9%	9%	18%	19%	28%	28%	38%	37%	64%	115%		93%	90%	54%
	Container	30%	37%	34%	38%	48%		94%	90%								
	Total	4%	6%	7%	7%	13%	17%	23%	20%	33%	31%	64%	77%	112%	68%	54%	44%
Regular	Piece	4%	4%	5%	4%	7%	7%	10%	8%	11%	11%	12%	10%	12%	12%	13%	12%
	Item	4%	5%	6%	5%	12%	9%	17%	13%	20%	16%	27%	20%	26%	28%	31%	23%
	Container	16%	22%	32%	25%	37%	42%	70%	54%	97%	98%	89%		64%	66%	65%	60%
	Total	3%	4%	4%	4%	6%	6%	9%	7%	10%	9%	11%	9%	11%	11%	12%	11%
Nonprofit ECR	Piece	13%	25%	33%	37%	115%		90%		93%							
	Item	12%	23%	33%	44%		99%	67%			98%						
	Container	77%															
	Total	9%	17%	23%	29%	115%	99%	54%		93%	98%						
Nonprofit	Piece	4%	6%	9%	9%	21%	18%	25%	37%	47%	34%	41%	51%	65%	55%	326%	88%
	Item	5%	8%	11%	17%	20%	28%	59%	38%	95%		48%	72%			65%	97%
	Container	26%	37%	79%	55%										92%		
	Total	4%	5%	8%	8%	16%	15%	23%	27%	42%	34%	31%	42%	65%	48%	66%	65%

Response to VP-CW/USPS-ST44-23, subpart b.
Upper 95% Confidence Limit, FY96 IOCS Standard (A) Direct Mail Processing Tallies by Weight Increment and F9213 Response

Rate Category	F9213	Weight Increment (ounces)															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Commercial ECR	Piece	394	159	122	133	43	25	11	16	5	6	5	6	3	3	5	5
	Item	468	285	170	187	57	37	17	22	14	12	5	3	-	3	3	8
	Container	18	15	15	16	6	-	3	3	-	-	-	-	-	-	-	-
	Total	855	438	288	317	94	57	26	35	16	16	9	7	3	5	6	11
Regular	Piece	3,161	1,668	1,045	1,164	373	282	152	207	112	99	96	138	87	105	86	67
	Item	1,676	718	432	493	137	131	45	85	35	44	26	33	20	22	13	23
	Container	1,404	243	64	52	14	13	7	6	3	3	3	-	5	5	5	9
	Total	5,934	2,536	1,491	1,668	503	406	192	283	141	137	116	164	103	123	97	90
Nonprofit ECR	Piece	81	22	15	16	3	-	3	-	3	-	-	-	-	-	-	-
	Item	99	33	13	9	-	-	5	-	-	3	-	-	-	-	-	-
	Container	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	173	51	25	22	3	-	6	-	3	3	-	-	-	-	-	-
Nonprofit	Piece	1,266	400	174	175	33	39	22	14	8	13	9	8	5	6	7	3
	Item	726	211	94	50	19	15	6	9	3	-	6	5	-	-	5	3
	Container	21	9	3	6	-	-	-	-	-	-	-	-	-	3	-	-
	Total	1,979	600	258	219	48	51	26	20	9	13	13	11	5	8	7	5

Response to VP-CW/USPS-ST44-23, subpart b.
Lower 95% Confidence Limit, FY96 IOCS Standard (A) Direct Mail Processing Tallies by Weight Increment and F9213 Response

Rate Category	F9213	Weight Increment (ounces)															
		1	2	3	4	5	6	·7	8	9	10	11	12	13	14	15	16
Commercial ECR	Piece	308	105	76	85	17	7	1	4	(1)	(0)	(1)	(2)	(1)	(1)	(1)	(1)
	Item	382	219	118	131	27	17	5	6	2	2	(1)	(1)	-	(1)	(1)	(0)
	Container	4	3	3	2	0	-	(1)	(1)	-	-	-	-	-	-	-	-
	Total	719	348	216	237	56	29	10	15	4	4	(1)	(1)	(1)	(1)	(0)	1
Regular	Piece	2,739	1,428	873	976	285	210	102	149	72	65	60	92	53	65	52	41
	Item	1,416	590	334	399	85	91	23	51	15	22	8	15	6	6	3	9
	Container	738	97	14	18	2	1	(1)	(0)	(1)	(1)	(1)	-	(1)	(1)	(1)	(1)
	Total	5,200	2,208	1,271	1,434	393	322	136	215	95	95	76	114	67	79	61	58
Nonprofit ECR	Piece	49	8	3	2	(1)	-	(1)	-	(1)	-	-	-	-	-	-	-
	Item	61	13	3	1	-	-	(1)	-	-	(1)	-	-	-	-	-	-
	Container	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	121	25	9	6	(1)	-	(0)	-	(1)	(1)	-	-	-	-	-	-
Nonprofit	Piece	1,070	316	120	123	13	19	8	2	0	3	1	0	(1)	(0)	(5)	(1)
	Item	590	155	60	26	9	5	(0)	1	(1)	-	0	(1)	-	-	(1)	(1)
	Container	7	1	(1)	(0)	-	-	-	-	-	-	-	-	-	(1)	-	-
	Total	1,701	492	192	161	26	27	10	6	1	3	3	1	(1)	0	(1)	(1)

VP-CW/USPS-ST44-24.

Please refer to your response to VP-CW/USPS-ST44-6.

a. Please explain fully what you meant by "valid weight information."

b. Is it your understanding that all "invalid" weight information should have been removed from the IOCS mail processing tallies as a result of the Postal Service's IOCS data checking an verification procedures (see LR-H-14) before being saved to the file named "hqtal96.prc"? If not, please explain.

c. If your answer to part b. above is anything other than an unqualified affirmative, please explain how one should use the tally data provided in LR-H-23 (in the file named "hqtal96.prc"), or any other publicly available information provided in connection with this case, to identify those tallies with "valid weight information," as distinct from those with "invalid" weight information.

RESPONSE

a. See the response to VP-CW/USPS-ST44-15.

b. I understand that it is not possible for a tallytaker to enter a weight that is invalid for Standard (A) mail because the IOCS CODES software prevents the entry of piece weights outside the range acceptable for each subclass of mail. However, in the first version of CODES that incorporated changes due to mail classification reform changes following Docket No. MC95-1, this check was inadvertently disabled. This situation has since been corrected. To the extent that the software not incorporating the check was used in tallytaking, this resulted in a minor amount of invalid weight tallies shown in the response to VP-CW/USPS-ST44-16(a).

c. The IOCS fields F165, F166, and F167 contain the recorded weight of sampled pieces. To determine whether a tally has valid weight information, one need only compare the piece weight as indicated by these fields to the proper range of weight for the classification of mail that the tally represents. Only direct tallies with a sampled piece will have weight recorded; consequently, counted item tallies, which are considered direct tallies, will not have a recorded piece weight.

VP-CW/USPS-ST44-25.

Please refer to your response to VP-CW/USPS-ST44-3.

a. Based on the observations and studies that you have done with respect to the effect of weight on cost, is it your belief that the increased weight of the mailpieces in a bulk mailing, especially substantial increases such as two to four times some initial weight, usually result in finer level of presortation and mail makeup, which in turn may result in lower handling cost? Please explain your response.

b. Please discuss the extent to which you think there may be weight-related presort savings that are not captured in the existing per piece measure of cost avoidance.

RESPONSE

a. Yes. This occurs because both sack and pallet makeup are controlled by weight. A sack is required to be made to a particular location in the sort sequence when that location has either 125 pieces or 15 pounds of mail. Thus, for mail over 1.92 ounces, increasing the weight of the mail decreases the number of pieces needed to make a required sack to a particular location. Pallets are required to made at 500 pounds of mail, so increasing the piece weight of a mailing will directly decrease the number of pieces needed to make a required pallet. It is likely that by substantially increasing the mail piece weight within a mailing, sacks or pallets at a finer level of presort will be required by the makeup rules.

b. Consider the pallet example in my response to VP-CW/USPS-ST44-3. Increasing the weight of mail decreased the cost of handling this mail at the destination SCF. However, since the rates paid for palletized mail depend on the package presort level and in the example the number of packages did not change, the number of pieces by rate category did not change. In general, the effect of increased piece weight leading to improved container presorting will not be reflected in the rates paid for palletized mail, and for barcoded flats in sacks, since both types of mail pay rates based upon the package presort level. Even for non-barcoded mail in sacks, there

are some improvements in sack presort which will not be recognized by rate

differences, such as the movement from mixed-ADC to ADC sacks, and the

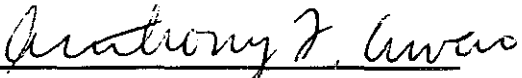movement from 3-digit to 5-digit sacks.

DECLARATION

I, Michael R. McGrane, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

_____ November 21, 1997
Michael R. McGrane   Date

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Anthony F. Alverno
Anthony F. Alverno

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November 21, 1997